

**BILL SUMMARY**  
2<sup>nd</sup> Session of the 59<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>HB2948</b>
<b>Version:</b>	<b>Introduced</b>
<b>Request Number:</b>	<b>9785</b>
<b>Author:</b>	<b>Speaker McCall</b>
<b>Date:</b>	<b>2/12/2024</b>
<b>Impact: FY24:</b>	<b>\$0-66 Million Decrease to Corporate Income Tax Collections</b>
<b>FY25:</b>	<b>\$192-258 Million Decrease to Corporate Income Tax Collections</b>

**Research Analysis**

HB2948, as introduced, phases out the corporate income tax over five years by reducing the amount of tax due each year by 20% increments beginning tax year 2024. By tax year 2028, 100% of corporate tax liability will be exempt. All entities must make an irrevocable election to be subject to the tax reduction by June 30, 2024 or within 60 days of its corporate formation date for entities formed after the effective date of the act.

Prepared By: Quyen Do

**Fiscal Analysis**

Officials for the Oklahoma Tax Commission have analyzed the impact of the measure as follows:

HB 2948 proposes to enact an income tax deduction<sup>1</sup> to reduce the taxable income of corporations subject to Oklahoma income tax. The amount of the deduction would be 20% for tax year 2024 and would increase by 20% until the deduction is 100% for tax year 2028 and subsequent tax years. This measure is essentially a 5-year phaseout of the corporate income tax levy.

**EFFECTIVE DATE:** January 1, 2024

**REVENUE IMPACT:** Estimated tax payments will change because of the enactment of this measure; however, it is unknown how much of the tax year 2024 impact will occur in FY 24 versus FY 25 due to the uncertainty of when this measure will be enacted.

**FY 24:** Unknown decrease in income tax collections expected to be between \$0 and \$65.6 million.

**FY 25:** Unknown decrease in income tax collections expected to be between \$192.1 million and \$257.6 million.

The effects of this proposal were estimated using the Oklahoma Tax Commission Revenue Forecast from December 2023. The chart below shows the estimated impact by tax year only.

<b>HB 2948</b>	
<b><u>CORPORATE INCOME TAX PHASEOUT</u></b>	
Tax year 2024	-\$127,099,000
Tax year 2025	-\$261,051,000
Tax year 2026	-\$438,926,000
Tax year 2027	-\$618,601,000

Estimated tax payments will change because of the enactment of this measure; however, it is unknown how much of the tax year 2024 impact will occur in FY 24 versus FY 25 due to the uncertainty of when this measure will be enacted. The expected revenue impact would be a decrease of between \$0 and \$65.6 million in corporate income tax collections for FY24, and a decrease of between \$192.1 million and \$257.6 million in individual income tax collections for FY25.

Prepared By: John McPhetridge, House Fiscal Director

**Other Considerations**

None.